

191—71.5(513B) Transition for assumptions of business from another carrier.

71.5(1) a. A small employer carrier shall not transfer or assume the entire insurance obligation or risk of health insurance coverage covering a small employer in this state unless:

- (1) The transaction has been approved by the commissioner of the state of domicile of the assuming carrier;
- (2) The transaction has been approved by the commissioner of the state of domicile of the ceding carrier; and
- (3) The transaction otherwise meets the requirements of this rule and Iowa Code section 513B.3(4) “c.”

b. A carrier domiciled in this state that proposes to assume or cede the entire insurance obligation or risk of one or more small employer health benefit plans from another carrier shall make a filing for approval with the commissioner at least 60 days prior to the date of the proposed assumption. The commissioner may approve the transaction upon a finding that the transaction is in the best interests of the individuals insured under the health insurance coverages to be transferred and is consistent with the purposes of Iowa Code chapter 513B and this chapter. The commissioner shall not approve the transaction until at least 30 days after the date of the filing except that, if the ceding carrier is in hazardous financial condition, the commissioner may approve the transaction as soon as the commissioner deems reasonable after the filing.

c. (1) The filing required under paragraph 71.5(1) “b” shall:

1. Describe the class of business (including any eligibility requirements) of the ceding carrier from which the health insurance coverage will be ceded;
2. Describe whether the assuming carrier will maintain the assumed health insurance coverage as a separate class of business (pursuant to 71.5(3)) or will incorporate them into an existing class of business (pursuant to 71.5(4)). If the assumed health insurance coverage will be incorporated into an existing class of business, the filing shall describe the class of business of the assuming carrier into which the health insurance coverages will be incorporated;
3. Describe whether the health insurance coverages being assumed are currently available for purchase by small employers;
4. Describe the potential effect of the assumption (if any) on the benefits provided by the health insurance coverages to be assumed;
5. Describe the potential effect of the assumption (if any) on the premiums for the health insurance coverages to be assumed;
6. Describe any other potential material effects of the assumption on the coverage provided to the small employers covered by the health insurance coverages to be assumed; and
7. Include any other information required by the commissioner.

(2) A small employer carrier required to make a filing under 71.5(1) “b” shall also make an informational filing with the commissioner of each state in which there are small employer health insurance coverages that would be included in the transaction. The informational filing to each state shall be made concurrently with the filing made under 71.5(1) “b” and shall include at least the information specified in 71.5(1) “c”(1) for the small employer health insurance coverages in that state.

d. A small employer carrier shall not transfer or assume the entire insurance obligation or risk of health insurance coverage covering a small employer in this state unless it complies with the following provisions:

(1) The carrier has provided notice to the commissioner at least 60 days prior to the date of the proposed assumption. The notice shall contain the information specified in 71.5(1) “c” for the health insurance coverages covering small employers in this state.

(2) If the assumption of a class of business would result in the assuming small employer carrier’s being out of compliance with the limitations related to premium rates contained in Iowa Code section 513B.4(1) “a,” the assuming carrier shall make a filing with the commissioner pursuant to Iowa Code section 513B.17 seeking suspension of the application of Iowa Code section 513B.4(1) “a.”

(3) An assuming carrier seeking suspension of the application of Iowa Code section 513B.4(1) “a” shall not complete the assumption of health insurance coverages covering small employers in this state unless the commissioner grants the suspension requested pursuant to 71.5(1) “d”(2).

(4) Unless a different period is approved by the commissioner, a suspension of the application of 513B.4(1) “a” shall, with respect to an assumed class of business, be for no more than 15 months and, with respect to each individual small employer, last only until the anniversary date of such employer’s coverage (except that the period with respect to an individual small employer may be extended beyond its first anniversary date for a period of up to 12 months if the anniversary date occurs within 3 months of the date of assumption of the class of business).

71.5(2) a. Except as provided in paragraph 71.5(1) “b,” a small employer carrier shall not cede or assume the entire insurance obligation or risk for small employer health insurance coverage unless the transaction includes ceding to the assuming carrier the entire class of business that includes such health insurance coverage.

b. A small employer carrier may cede less than an entire class of business to an assuming carrier if:

(1) One or more small employers in the class have exercised their right under contract or state law to reject (either directly or by implication) the ceding of their health insurance coverage to another carrier. In that instance, the transaction shall include each health insurance coverage in the class of business except those health insurance coverages for which a small employer has rejected the proposed cession; or

(2) After a written request from the transferring carrier, the commissioner determines that the transfer of less than the entire class of business is in the best interests of the small employers insured in that class of business.

71.5(3) Except as provided in 71.5(4), a small employer carrier that assumes one or more health insurance coverages from another carrier shall maintain such health insurance coverages as a separate class of business.

71.5(4) A small employer carrier that assumes one or more health insurance coverages from another carrier may exceed the limitation contained in Iowa Code section 513B.2 (relating to the maximum number of classes of business a carrier may establish) due solely to such assumption for a period of up to 15 months after the date of the assumption, provided that the carrier complies with the following provisions:

a. Upon assumption of the health insurance coverages, such health insurance coverages shall be maintained as a separate class of business. During the 15-month period following the assumption, each of the assumed small employer health insurance coverages shall be transferred by the assuming small employer carrier into a single class of business operated by the assuming small employer carrier. The assuming small employer carrier shall select the class of business into which the assumed health insurance coverages will be transferred in a manner that results in the least possible change to the coverages and rating method of the assumed health insurance coverages.

b. The transfers authorized in paragraph “a” shall occur, with respect to each small employer, on the anniversary date of the small employer’s coverage, except that an individual small employer period may be extended beyond the first anniversary date up to 12 months if the anniversary date occurs within 3 months of the date of assumption of the class of business.

c. A small employer carrier making a transfer pursuant to paragraph “a” may alter the benefits of the assumed health insurance coverages to conform to the benefits currently offered by the carrier in the class of business into which the health insurance coverages have been transferred.

d. The premium rate for an assumed small employer health insurance coverage shall not be modified by the assuming small employer carrier until the health insurance coverage is transferred pursuant to paragraph “a.” Upon transfer, the assuming small employer carrier shall calculate a new premium rate for the health insurance coverage from the rate manual established for the class of business into which the health insurance coverage is transferred. In making such calculation, the risk load applied to the health insurance coverage shall be no higher than the risk load applicable to such health insurance coverage prior to the assumption.

e. During the 15-month period provided in this subrule, the transfer of small employer health insurance coverages from the assumed class of business in accordance with this subrule shall not be considered a violation of the first sentence of Iowa Code section 513B.4(4).

71.5(5) An assuming carrier may not apply eligibility requirements (including minimum participation and contribution requirements) with respect to an assumed health insurance coverage (or with respect to any health insurance coverage subsequently offered to a small employer covered by such an assumed health insurance coverage) that are more stringent than the requirements applicable to such health insurance coverage prior to the assumption.

71.5(6) The commissioner may approve a longer period of transition upon application of a small employer carrier. The application shall be made within 60 days after the date of assumption of the class of business and shall clearly state the justification for a longer transition period.

71.5(7) Nothing in this rule or in Iowa Code chapter 513B is intended to:

a. Reduce or diminish any legal or contractual obligation or requirement, including any obligation provided in Iowa Code chapters 521 and 521B, of the ceding or assuming carrier related to the transaction;

b. Authorize a carrier that is not admitted to transact the business of insurance in this state to offer health insurance coverages in this state; or

c. Reduce or diminish the protections related to an assumption reinsurance transaction provided in Iowa Code chapters 521 and 521B or otherwise provided by law.

[ARC 3682C, IAB 3/14/18, effective 4/18/18]